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Portfolio allocations to personal freedoms: Post-election client concerns
By Rob Burgess
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While the fate of the U.S. House of Representatives remains uncertain, what is clear the day after Election Day is that Republican President-elect Donald Trump is headed back to the White House and his party will retake the U.S. Senate.

With this change comes uncertainty. Financial advisors have been fielding calls from nervous clients as the results pour in. Their worries range from portfolio allocations to how the change in government will affect their personal lives. Here's how advisors said they were guiding clients in the wake of the contentious election.

Maintaining a flexible portfolio strategy
With the recent election results delivering a victory for the GOP, investment strategies must be carefully reviewed to maximize potential gains under the incoming administration's economic policies, said Jon McCardle, president of Summit Financial Group of Indiana in Lafayette, Indiana. Historically, a pro-business Republican government often seeks deregulation, which can positively impact various sectors, particularly those sensitive to regulatory shifts.

"To align with anticipated economic trends, we are advising clients to reorient their portfolios toward market areas poised to benefit from deregulation and inflationary adjustments," he said. "Key moves include shifting from long-term to short-term bonds. With inflationary pressures expected to rise, we're reducing exposure to long-term bonds and favoring short-term positions on the yield curve. This approach allows portfolios to better respond to fluctuating interest rates and the potential volatility in the bond market."

In the lead-up to the election, wealthy investors have been most concerned about whether the 2017 Tax Cuts and Job Act (TCJA) would be extended after 2025 or if the currently higher tax brackets and double estate tax exemption amount would revert back to their pre-TCJA, said David Flores Wilson, the managing partner of Sincerus Advisory in New York City. A Harris win would likely have meant a higher capital gains rate for wealthy Americans. Those issues are less of a concern now, as a "red wave" likely means the TCJA will be extended in some form, and tax rates could possibly go lower.

"Wealthy investors now are shifting their concern to the impact of significant policy changes on the tariff and immigration side, and what that means for interest rates and market," he said. "We can expect decelerating inflation to potentially reverse with a tighter labor market due to immigration policies and higher costs from tariffs. Retaliatory tariffs could exacerbate the inflationary pressure, but looser energy policy domestically might help counteract some of its

impact."

McCardle said health care and financial sectors often thrive under reduced regulatory oversight, and both are positioned to benefit from policy shifts anticipated in the current administration.

"Energy and industrials may also see gains, particularly if the administration pushes for energy independence and industrial growth," he said. "As inflation could increase, commodities tend to perform well as a hedge. Similarly, consumer cyclicals may benefit from potential policy changes that could boost disposable income and consumer spending."

In the coming year, McCardle said portfolio adjustments will continue as additional clarity emerges on policies, including tariffs, immigration and trade relations with countries like China.

"These factors could further impact industries reliant on international trade and labor, requiring ongoing monitoring and responsiveness to policy changes," he said. "In this evolving landscape, maintaining a flexible portfolio strategy is crucial. By proactively adjusting sector exposures and maintaining a vigilant eye on economic indicators, investors can effectively navigate the market shifts accompanying this election outcome."

Hurry up and wait

Jay Zigmont, CEO and founder of Childfree Wealth in Mount Juliet, Tennessee, said many of his clients are more concerned about the election's impacts on their personal lives than on their taxes and retirement.

"Since we serve child-free clients, people who don't have kids and never will, there are more concerns about their personal freedoms and safety than anything else," he said.

While the comments by Republican Vice President-Elect JD Vance about "childless cat ladies" may be seen as just an off-handed remark by some, Zigmont said it is an attack on the roughly one-quarter of the country without children. He said he will likely see some of his clients looking to move, both within and outside of the country.

"Our clients who have federal jobs in departments that are at risk are now looking at a career change," he said. "Yet other clients are worried about their own personal safety as they are members of targeted groups. It is a tough day for our clients. We all are hoping for the best, but taking the time to figure out plans just in case."

Kim Abmeyer, founder of Abmeyer Wealth Management in Dallas, said her response to any questions or concerns in regards to the election results is that "it's too soon to make decisions on strategy."

"Until we know more about the incoming administration's goals and objectives, it isn't prudent to react," she said. "However, I do believe tax planning as it relates to investments, retirement and cash flow planning will be more important than ever in the coming months."